21ST CENTURY
NAVAL AVIATION LOGISTICS

PRESENTATION TO:

NDIA LOGISTICS CONFERENCE

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VICE COMMANDER, NAVAL AIR SYSTEMS COMMAND
2 MARCH 2004

NAVAIR'S ROLE IN NAVAL AVIATION IS . . .

. . . ***TO DEVELOP, ACQUIRE AND SUPPORT*** **AIRCRAFT AND RELATED SYSTEMS WHICH CAN BE OPERATED AND SUSTAINED *AT SEA***

. . . **TO WORK WITH INDUSTRY ON BEHALF OF THE USER TO DELIVER OUR PRODUCTS AND SERVICES**

COMPARATIVE SCALING

USS GEORGE WASHINGTON (CVN-73)
OVERLAID ON TYPICAL AIRFIELD RUNWAY
(12,000 FT.X150 FT)

OUR CORE FOCUSES ON WHERE WE ARE DIFFERENT

PBL: THE BOTTOM LINE

PBL MEANS BUYING *PERFORMANCE*. . .

. . .RESULTS AND OUTCOMES vs. RESOURCES

WE WILL FOCUS ON:

- **TIME ON WING VS. REPAIRS**
- **AVAILABILITY VS. PARTS**
- **MANAGING SUPPLIERS VS. SUPPLIES**
- **LEVERAGING BEST BUSINESS PRACTICES**

PROCURING THE PERFORMANCE END-STATE. . .
NOT DIRECTING "HOW TO"

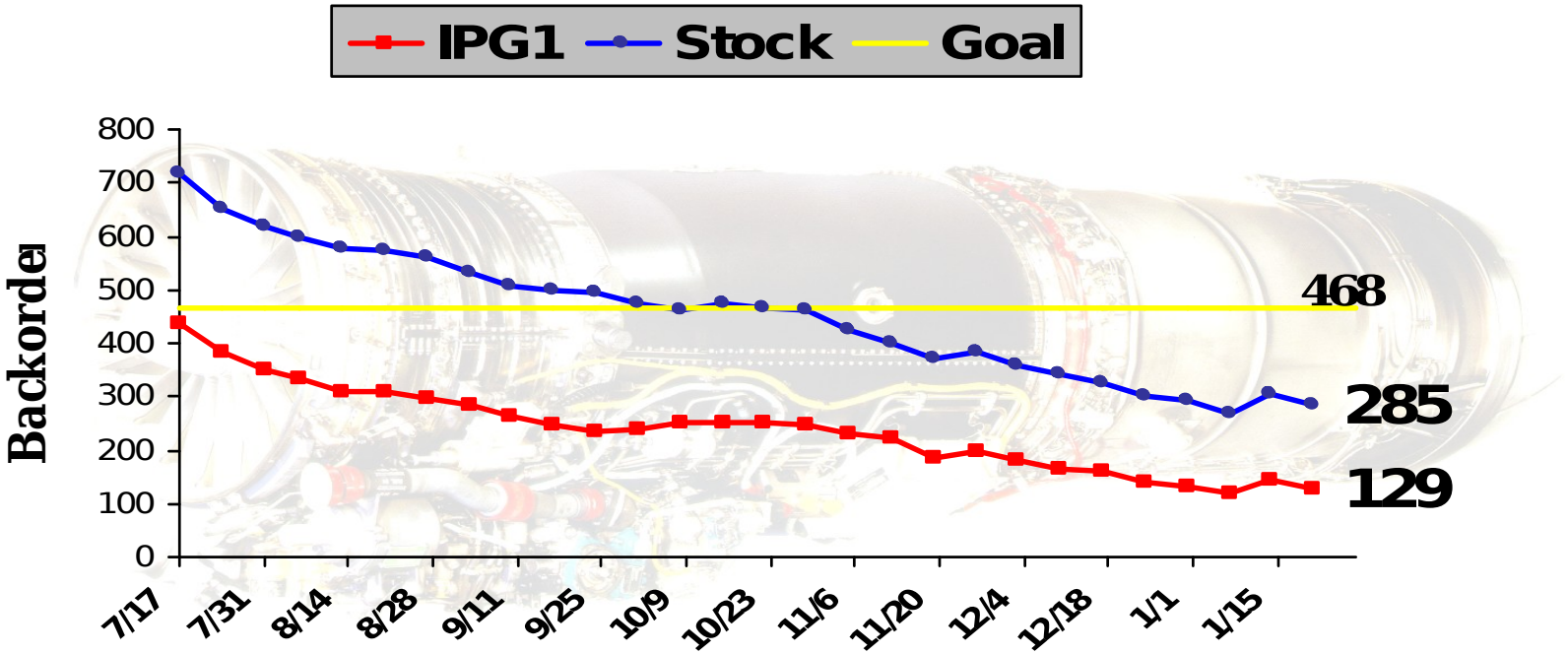
WHY WE LIKE PBL

- LOWERS TOTAL OWNERSHIP COSTS
- IMPROVES READINESS

PROGRAM	FORMER AVAILAB. (%)	CURRENT AVAILAB. (%)
F/A-18 SMS	65	98
TIRES	81	98
ARC-210 RADIO	70	85
APU	65	90
F-14 LANTIRN	73	90
H-60 AVIONICS	71	85
F/A-18	67 (WITH F/A-18 C/D)	85 (WITH F/A-18 E/F FIRST)

BL CO GOAL

F404 PBL RESULTS:
EXCEEDING EXPECTATIONS!



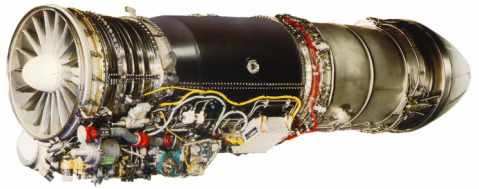
- ***57% TOTAL BACKORDER REDUCTION CONTRACT-TO-DATE***
- ***67% IPG1 BACKORDER REDUCTION CONTRACT-TO-DATE***

IMPROVING F404 AVAILABILITY WHILE REDUCING $/EFH COST!

NAVAIR

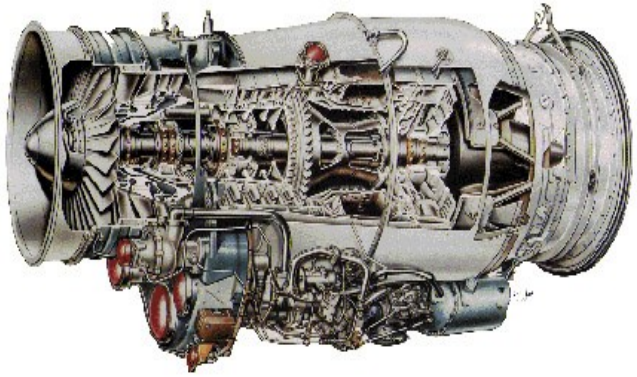
F404 PBL (F/A-18A-D)

- FOUR-AND-1/2-YEAR FIRM FIXED-PRICE CONTRACT BASE PERIOD; FIVE ONE-YEAR ADDITIONAL ORDERING PERIODS
- $510M, LARGEST AVIATION FIXED-PRICE PBL CONTRACT. . .BCA PROJECTS $79M IN COST AVOIDANCES
- INCLUDES 36 F404 MAJOR SUB-ASSEMBLIES COVERING 1895 ENGINES
- COVERS THE OVERHAUL OF THE MAJOR SUB-ASSEMBLIES REGARDLESS OF QUANTITY REPAIRED / REPLACED
- PROVIDES FLYING HOUR AND WARTIME SURGE FLEXIBILITY
- MEASURABLE PERFORMANCE METRICS (LRT, SMA, AND DURABILITY)
  - 85% AVAILABILITY; DISINCENTIVES FOR LOWER THAN 75%, INCENTIVES UP TO 3% FOR 90% AVAILABILITY (SMA 3 YEAR AVERAGE IS 55%)
- PUBLIC PRIVATE PARTNERSHIP WITH NADEP JACKSONVILLE – LEVERAGES OEM “BEST PRACTICES” EFFICIENCIES
- GEAE RESPONSIBLE FOR DEPOT TAT, REPAIR PARTS, INVENTORY MANAGEMENT AND CONTROL, WORKSCOPING, ATTRITION REPLACEMENT, CURRENT BACKORDER REDUCTION PROGRAM
- WHOLESALE INVENTORY MANAGEMENT AND STORAGE



F405 PBTH™ CONTRACT

- FAR PART 12 CONTRACT AWARDED OCT 03; 1-YEAR BASE PLUS 4 ONE-YEAR OPTIONS
- PERFORMANCE STANDARDS (I.E., QUALITY, QUANTITY, TIMELINESS) TIED TO PERFORMANCE REQUIREMENTS, ALL INCLUSIVE: ENGINEERING, ILS, RCM
- PROJECTED COST SAVINGS
- GOVERNMENT AND CONTRACTOR G ALIGNED
  - INCREASED TIME ON WING
  - INCREASED RELIABILITY
- ENGINE AVAILABILITY REQUIREMEN
  - FY04 = 80% OF ENGINE INVENTORY
  - FY05–FY08 = 85% OF ENGINE INVENTORY



F405 PBTH™ RESULTS

- RR HAS MAINTAINED CONTRACTUAL 80% (OR ABOVE) AVAILABILITY OBLIGATIONS AND ARE WORKING TOWARD AN 85% BY MID-YR
- MTBR HAS RISEN FROM 500 HR IN EARLY 02 TO APPROX 750 HR
- AVERAGE RELEASE LIFE HAS RISEN TO AN AVERAGE OF 1260 HOURS (6 ENGINES WITH 2,000-HOUR RELEASE LIVES), WHICH WILL INCREASE THE 750-HOUR MTBR
- RR HIGHLY FOCUSED IN IDENTIFYING AREAS OF IMPROVEMENT AND COST SAVINGS WHILE ENSURING AVAILABILITY
  - E.G. RR IDENTIFIED 3 SCHEDULED INSPECTIONS TO ELIMINATE AT O-LEVEL

MIGRATION OF CONTRACTOR-GOV'T RELATIONSHIP

FORMER MODEL	NEW MODEL

- OVERSIGHT ~~INSIGHT~~ →
- CUSTOMER ~~CUSTOMER / PARTNER~~ → / SUPPLIER
- PLATFORM-CENTRIC ~~NETWORK-CEN~~ → TRIC
- SERVICE ORIENTATION ——— JOINT ORIENTATION
- "CREATE RUBBLE" OF TARGET → EFFECTS-BASED TARGETING
- TECHNICAL SPECS ——— ~~PERFORMANCE~~ → SPECS
- MANAGE SUPPLIES ~~MANAGE SUPP~~ → LIERS

INDUSTRY OPPORTUNITIES

- **INCENTIVIZATION**
- **PERFORMANCE PERIOD**
- **THE OTHER LOGISTICS ELEMENTS**
- ***SPEED!***
- **RISK SHARING**

FUTURE CHALLENGES / SUMMARY

- REFORM BUDGET PROCESS TO FACILITATE IMPLEMENTATION OF ENGINE & AIRCRAFT PBLs
- STANDARDIZE THE PUBLIC-PRIVATE PARTNERSHIP PROCESS WITH ALL NAVAL AVIATION DEPOTS
- CHANGE THE LOGISTICS CULTURE BY TRAINING NAVY & INDUSTRY PERSONNEL IN PBL CONCEPT / BENEFITS

SEE THE WORLD
THROUGH THE FLEET'S
EYES,
AND MEASURE OUR
SUCCESS
BY THEIR SUCCESS

BACKUP

KEY TENETS OF A SUCCESSFUL PBL

- **PROFIT MOTIVE COINCIDES WITH NAVY PERFORMANCE OBJECTIVES**
- **SOLID BUSINESS CASE ANALYSIS**
  - PBL PROGRAMS RECEIVE MORE SCRUTINY FROM DODIG / GAO THAN DO TRADITIONAL PROGRAMS
- **PROVIDER IS EMPOWERED TO FULFILL REQUIREMENTS**
  - RESPONSIBILITY / AUTHORITY ARE DELEGATED
- **IMPROVED READINESS**
- **COMPLIANCE WITH TITLE 10 USC**
- **METRICS ARE STRAIGHTFORWARD, MEASURABLE, FLEET-APPROVED**
- **SINGLE-POINT ACCOUNTABILITY**
- **MINIMAL OR NO IMPACT ON THE FLEET**